October, 2019 No.16

This issue covers the following topics:

Singapore

REFORMS IN THE IP DISPUTE RESOLUTION PROCESS

シンガポールでは去る 2019 年 8 月、知的財産（紛争解決）法案が議会で可決され、近々施行される見通しである。新法では、①知財紛争がシンガポールの仲裁での解決が可能であることが明記されたこと、②大部分の知財紛争にシンガポール高等裁判所が第一審の裁判所となること、③特許申請及び再審査の手続きの改正等重要な変更が盛り込まれている。本稿ではこれらの重要な改正点について概説する。

Background

The Intellectual Property (Dispute Resolution) Bill ("**Bill**") was passed in the Singapore Parliament on 5 August 2019, and the Intellectual Property (Dispute Resolution) Act ("**Act**") will be gazetted and come into force at a later date. The Bill sets out the various amendments that will be made to the relevant statutes that govern intellectual property ("**IP**") rights, and is intended to simplify and streamline the dispute resolution process in relation to IP rights in Singapore. There are three key changes of note:

(a) Disputes on IP rights will be expressly arbitrable in Singapore;
(b) Most civil IP disputes will be heard in the Singapore High Court at the first instance; and
(c) The patent application and re-examination procedures of the Intellectual Property Office of Singapore ("**IPOS**") will be amended to ensure quality of patents granted and increase cost-effectiveness to third parties in the revocation of patents.

What are IP rights and what are the typical contentious issues in an IP dispute?

The definition of IP is extremely wide, and includes patents, trademarks, geographical indication, copyright, registered designs, confidential information, trade secret or know-how, and any other intellectual property of whatever nature (see the intended insertions at Section 26A of the International Arbitration Act (Chapter 143A) (**IAA**) and Section 52A of the Arbitration Act (Chapter 10) (**AA**)).

Disputes involving IP may include any of the following:

(a) Disputes over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any

other aspect of an IP right;
(b) Disputes over a transaction in respect of an IP right; and
(c) Disputes over any compensation payable for an IP right.

Arbitrability of IP disputes

Once the Act comes into force, all IP disputes will be expressly arbitrable, whether they are the main or incidental issue in the arbitration, and whether they relate to IP rights in Singapore or outside of Singapore. The Act includes provisions that state that an IP dispute is not incapable of settlement by arbitration only because a law of Singapore or elsewhere gives jurisdiction to decide the IP dispute to a specified entity, and does not mention possible settlement of the same by arbitration. However, any arbitral award deciding on such IP rights is only binding on the parties to the arbitration (*in personam*) and is not binding against third parties who were not parties to the arbitration (*in rem*). Thus, parties that wish to enforce or adjudicate on IP rights that will be binding against the world at large, such as the validity of registered trademarks in the relevant registry, should commence proceedings in the Singapore courts or before the relevant Registrar instead.

Arbitral awards cannot affect the status of the IP rights on the IP Registers (e.g. Patent and Trade Mark Registers), even if the validity of a registered IP right had been adjudicated upon and determined to be invalid by an arbitral tribunal. Accordingly, if the main concern relates to the registration and validity of an IP right, it is recommended that parties take up this issue either in the courts or before the relevant Registrars in charge of the Registry of that particular IP right.

Whether the owner of an IP right chooses arbitration or not depends on the needs of the owner. Advantages of arbitrating IP disputes include:

(a) **Expertise**: Parties have the ability to nominate arbitrators with relevant expertise in a particular type of IP or familiarity with licensing agreements, which may be important where the dispute is on highly technical grounds;
(b) **Flexibility**: Parties generally have more freedom to agree on flexible procedural rules to facilitate a speedy resolution of the dispute, as opposed to court procedures that may be more administratively intensive;
(c) **Finality**: The lack of appeal mechanism ensure that arbitral awards are final and binding on the parties, which reduces delays and costs in resolving the disputes;
(d) **Confidentiality**: Parties who are concerned about protecting commercially sensitive information can agree in advance on the confidentiality of the arbitral proceedings, the documents exchanged, and the arbitral award; and
(e) **Enforceability**: An arbitral award made in Singapore has the benefit of being recognized and enforceable in over a 150 states that are parties to the New York Convention.

Litigation of IP disputes

The Bill also brings welcome changes to the dispute resolution landscape for IP disputes. Currently, an aggrieved party may seek protection of its IP rights in multiple avenues, which can lead to confusion and multiple parallel proceedings. For example, under the current Patents Act (Chapter 221), both the Singapore High Court and IPOS have jurisdiction to hear patent infringement disputes (IPOS has jurisdiction if parties agree it does), while the State Courts have concurrent jurisdiction with the High Court to hear passing-off claims, pursuant to the State Courts Act (Chapter 321). The Bill, when it comes into force, will (i) remove the jurisdiction of IPOS to hear patent infringement claims, and (ii) remove the jurisdiction of the District and Magistrate Courts to hear and try an action in passing off, leaving the High Court with exclusive jurisdiction over most civil IP disputes.

The Singapore Parliament has also separately been looking into creating a specialized, simplified, and cost-effective "fast track" for the litigation of IP disputes in the Singapore High Court. Such a "fast track" is expected to be introduced via amendments to the civil procedural rules in the future. These upcoming planned changes are intended to ameliorate concerns about the increase in costs of litigating IP disputes in the High Court instead of the ability to do so at lower cost in State Courts or IPOS.

The Singapore High Court also has a bench of specialized IP judges with great expertise and experience in IP matters to facilitate the ease of resolving disputes and to boost users' confidence in the system.

Improvements to IPOS's patent procedures

The Bill further formalizes the third party observation process for patent applications and introduces a new process for patent re-examinations. The purpose of third party observations in a patent application is to provide third parties the opportunity to highlight relevant information to the Registrar regarding the novelty of the invention, whether there is an inventive step, and whether something is capable of industrial application, which are the necessary elements of a patentable invention. It is intended to enhance Singapore's patent regime by making it more user-friendly while ensuring that only deserving patents are granted protection. At present, third party observations are filed with IPOS on an informal basis.

On the other hand, re-examination is a process in which a third party can request a patent to be re-examined to verify whether the subject matter is patentable, after a patent application has been granted. With the Bill, third parties will be able to challenge the validity of a patent by making an *ex parte* request for a re-examination of a granted patent, unlike an application for revocation under Section 80 of the Patents Act, which is an *inter partes* process. The *ex parte* process is intended to be a lower cost and more time-effective method of revoking a patent.

These changes are meant to encourage third parties to bring to the Registrar's attention important information that it should take into consideration when deciding whether to grant patent applications. The Act, when in force, will likely reduce the costs incurred by third parties when introducing information on the merits of a patent application.

Conclusion

The key changes that will be introduced to the Singapore legal landscape by the Bill further enhances Singapore's attractiveness as an international hub for IP disputes, in line with the Singapore Government's IP Hub Master Plan. As Asian economies mature and move towards becoming knowledge-based economies, a system strong in its protection of IP rights will be highly valued by users and vital to businesses that rely heavily on IP. The Bill is another step towards placing Singapore as the top choice venue for IP dispute resolution in Asia.

[Author]

Annia Hsu (Nagashima Ohno & Tsunematsu Singapore LLP)
annia_hsu@noandt.com

Annia Hsu is a Singapore qualified attorney in the Singapore office of NO&T. Annia has assisted in representing and advising clients in all forms of dispute resolution including litigation in the Singapore courts, arbitration, adjudication, and mediation, and her areas of practice and experience include general commercial litigation and arbitration, shareholder disputes, construction disputes, resulting and constructive trusts, restructuring and insolvency, and probate and administration matters. She has acted for Chinese entities in international commercial arbitrations conducted under the SIAC, and currently focuses on international commercial disputes work.

Philippines

PHILIPPINE VIRTUAL CURRENCY EXCHANGE REGULATIONS

ビットコインに代表される仮想通貨の登場により、これまで国家が独占していた通貨発行の秩序が崩れつつある。仮想通貨取引に厳しい規制を設ける国もあれば、エストニアのように自国自ら仮想通貨の開発に乗り出す国もあり、その受け止め方は様々である。フィリピンでは 2017 年に中央銀行が仮想通貨取引に関するガイドラインを定め、現状 13 の仮想通貨取引業者が国内で登録されている。本稿ではかかるフィリピンの仮想通貨取引に関する規制の現状について概観する。

Introduction

Technology is revolutionizing different business sectors, and in the field of banking and finance, the wave of digital disruption is seen in the rise of virtual currencies ("**VC**"), a type of digital "currency" created by a community of online users, stored in electronic wallets and generally transacted online as a medium of exchange. Because VCs are not legal tender backed by any government, the value of VCs is solely driven by supply and demand in a speculative market.

The Philippine central bank, the Bangko Sentral ng Pilipinas ("**BSP**"), has recognized that while VCs have inherent risks because of price volatility, potential for unlawful use, vulnerability to cybersecurity threats, and financial loss (since VC funds are not insured unlike bank deposits), VC systems also have potential benefits to transform the delivery of financial services. It can enhance competition in the remittance and payment market which can result in lower transaction cost and improved services, support the e-commerce industry, and provide financial inclusion for consumers in far flung areas which cannot be reached by traditional financial service providers.

With this in mind, the BSP issued Circular No. 944, Series of 2017, which serves as guidelines to regulate the operations of VC exchanges (the "**VCE Guidelines**"). In issuing the VCE Guidelines, the BSP does not endorse any VC, such as bitcoin or other cryptocurrencies. Rather, the scope of the VCE Guidelines is to regulate VC exchanges in the Philippines offering services or engaging in actives that provide facility for the conversion or exchange of fiat currency (legal tender) to VC and vice versa. The BSP recognizes that once fiat currency is converted to VC, it becomes easily transferrable, and in this manner a VC exchange operates similar to remittance and transfer companies.

Requirements for operation of VC Exchange

Under the VCE Guidelines, among the requirements that must be complied with by a VC exchange, are the following:

1. Registration and anti-money laundering requirements

A VC exchange must obtain a BSP Certificate of Registration to operate as a remittance and transfer company ("**RTC**"), and adhere to the registration procedures of RTCs under BSP Circular No. 942, a separate circular which regulates money service business operations.

Considering that VC exchanges are not subject to foreign ownership limitations, foreign nationals and foreign-owned corporations may apply to the BSP to be registered as RTC with VC exchange services, provided that such applicant complies with certain requirements, such as, but not limited to:

(a) benchmark capitalization requirements of at least Php10 million for small scale operators, at least Php50 million for large scale operators or at least Php100 million for e-money issuers, subject to the business model of the VC exchange;
(b) registration with the anti-money laundering council secretariat, within 30 calendar days from commencement of operations; and
(c) mandatory anti-money laundering training of all proprietors, partners, directors, offices and their personnel directors involved.

Under BSP Memorandum No. M-2019-006, the BSP has clarified that operators of automated teller machines that

allow purchase or exchange of VCs or other devices with similar functionality and capability, are considered as VC exchanges and should also register with the BSP pursuant to BSP Circular No. 944.

VC exchanges operating without prior BSP registration are subject to penalties of a fine of Php50,000 to Php200,000 or by imprisonment of 2 years to 10 years, or both, at the discretion of the court, and the VC exchange will be disqualified from registration. Moreover, since VC exchanges are covered by the Anti-Money Laundering Act of the Philippines (Republic Act No. 9160, as amended) (the "**AMLA**"), violations of AMLA reporting and other compliance requirements, such as record keeping and customer due diligence, may also subject the VC exchanges to penalties of fine or imprisonment under the AMLA.

2. Transactional requirements

The VCE Guidelines require that large value pay-outs of more than Php500,000 or its foreign currency equivalent in any single transaction to customers shall be only made via check payment or direct credit to deposit accounts.

3. Technology risk management

Depending on the complexity of the operations and business model, a VC exchange is required to put into place adequate risk management and security control mechanisms to address, manage and mitigate technology risks associates with VCs.

For those with simple VC exchange operations, installation of up-to-date malware solutions, conduct of periodic back-ups and constant awareness of emerging cybersecurity risks may suffice. On the other hand, for VC exchanges providing wallet services for holding, storing and transferring VCs, an effective cybersecurity program encompassing the scope of such operations as well as sound key management practices are required to be established to ensure the integrity and security of VC transactions. Further, compliance with the BSP requirements of an e-money issuer, may also be applicable.

4. Internal control system

All VC exchanges are required to maintain an internal control system commensurate to the nature, size and complexity of its business, and adhere to the minimum control standards issued by the BSP.

5. Notification and reporting requirements

Among the notifiable events that must be reported by a VC exchange to the BSP are: (a) commencement of operations, (b) change of tie-up partner, (c) transfer of location, (d) closure of office, (e) closure of business, and (c) change of business name. In addition, audited financial statements are required to be filed annually, while a report on the total volume and value of VC transactions, and list of operating offices and websites are to be submitted quarterly. Erroneous, delayed or unsubmitted reports will subject a VC exchange to monetary penalties and/or cancellation of its registration.

Other developments

Since the VCE Guidelines have been issued in 2017, there are now 13 remittance and transfer companies with VC exchanges services registered in the country based on the official list prepared by the BSP as of 30 September 2019.[1]

While existing BSP regulations focus on virtual currency exchanges as the underlying instrument for remittance and payments transfer of virtual currencies in the Philippines, other Philippine government agencies have since followed suit and prepared their own regulations or proposals relating to the VC business. For example, the Philippine Securities and Exchange Commission has released for public consultation, draft rules on initial coin offering, which is intended to regulate convertible security tokens issued by start-ups or registered corporations organized in the Philippines or targeting Filipinos through online electronic platforms.

For offshore virtual currency exchange organization ("**OVCEO**") domiciled at the Cagayan Special Economic Zone and

1 http://www.bsp.gov.ph/banking/msb.pdf, Bangko Sentral ng Pilipinas, accessed on 14 October 2019.

Freeport, a special customs territory in the Philippines positioned as the country's financial technology investment hub, the Cagayan Export Zone Authority ("**CEZA**") has adopted its own Financial Technology Solutions and Offshore Virtual Currency ("**FTSOVC**") Business Rules and Regulations of 2018, which regulates the business of developing, operating and managing platforms equipped with distributed ledger technology that offer offshore virtual currency exchange and transmission services conducted outside the Philippines. The CEZA has also issued its Rules on Digital Assets and Token Offerings of OVCEOs. The purpose of the CEZA rules is to ensure that even if the OVCEOs activities are limited to exporting FTSOVC services (and therefore, outside the scope of BSP Circular No. 944), there are safeguards in place to ensure that such activities are not used for money laundering and foreign customers are protected from digital financial fraud and other potential harm.

Conclusion

As governments across the globe continue to warn investors against VCs, they have also begun regulating aspects of the VC system in a move to protect investors. For the Philippines, it will be interesting to see how the legal framework for VCs will continue to develop, and whether such regulations will prove to be a boon or bane to the future of VCs.

[Author]

Patricia O. Ko (Nagashima Ohno & Tsunematsu Singapore LLP)
patricia_ko@noandt.com
Patricia O. Ko is a Philippine qualified foreign attorney in the Singapore office. Prior to joining NO&T, she was a Senior Associate in one of the top law firms in the Philippines. Her areas of practice include mergers and acquisitions, foreign direct investment, public-private partnership, securities, general corporate matters, immigration, trademarks, and data privacy. She is experienced in advising clients in commercial transactions involving acquisition of businesses and real estate, joint ventures, corporate restructuring, and regulatory and compliance matters.

Myanmar

PROJECT BANK NOTIFICATION TO STREAMLINE PRIVATE PUBLIC PARTNERSHIP PROJECTS

アジアの新興国では国内のインフラ整備が常に優先課題の一つとして掲げられている一方で、財政上の制約から政府主導で実施可能な公共事業には限りがある。そこで公共インフラ整備においては官民が連携する PPP（Private Public Partnership）形式を導入している国も複数存在する。ミャンマーでは、2018 年に大統領府がプロジェクト銀行通達を発行し PPP に関する枠組が整備され、政府の PPP に対する積極的な姿勢が示された。本稿ではこの通達について概観する。

Background

On 30 November 2018, the Office of the President of Myanmar issued a Project Bank Notification No. 2/2018 (the **"Project Bank Notification"**) which regulates Private Public Partnership ("**PPP**") projects in Myanmar. Under the Project Bank Notification, the Ministry of Planning and Finance (the "**MOPF**"), will be responsible for assessing the criteria of all PPP projects that will be implemented by relevant government departments or agencies referred to as the Implementing Government Agency (the "**IGA**"). The MOPF will also determine the projects to be included in the web-based accessible database. The Project Bank Notification contains key information on how the government will support PPP projects.

Key Provisions

1. Formation of Private Public Partnership Center and Standard Requirements to Conduct PPPs

The Project Bank Notification provides the establishment of the Private Public Partnership Center ("**PPP Center**") under the MOPF. The purpose of the PPP Center is to strengthen the capabilities of IGAs to effectively identify, develop,

procure, implement, monitor and audit PPPs. The PPP Center is responsible for facilitating the identification and development of PPP projects, managing the Project Bank related to PPP Projects, developing requirements, guidelines, templates and procedures for identification, preparation, bidding and management of PPP Projects, monitoring and reporting on implementing PPP Projects, and investigating and recommending PPP Policy reforms.

The Project Bank Notification provides that the IGAs are required to implement a tender process for the election of the successful bidder for the PPP project, and to provide reasonable time to all bidders to examine relevant documentation and prepare their respective proposals. For PPP projects exceeding US$ 100 million in value, the IGA is required to obtain the approval of the Union Government. In the case of projects not exceeding US$ 100 million, under the Project Bank Notification, the approval of the Union Government is not required. Currently, PPP Center is preparing the detailed requirements, guidelines, templates, and procedures on PPP project procurements based on the Project Bank Notification.

2. Unsolicited PPP Proposals

Procedures for assessing unsolicited PPP Proposals are provided in the Project Bank Notification. Unsolicited PPP projects with total values exceeding MMK 2 billion (approximately US$ 1.3 million) are required to seek the advice of the PPP Center. It is not mandatory for the government agency to seek the advice of the PPP Center if the value of the project from the unsolicited proposal does not exceed the total value of MMK 2 billion.

In calling for tender, when a counter-proposal is superior to the original unsolicited proposal, the relevant government agency is required to notify the original proponent of the unsolicited proposal and provide at least 45 working days to match or improve on the selected competing proposal. All unsolicited proposals are required to proceed with a Swiss challenge method. However, an exception has been made for the provision relating to unsolicited proposals for greenfield projects in the energy and mining sector because the provisions of the Project Bank Notification are not applicable to unsolicited proposals for the development of greenfield projects. The obtaining of government support for these kinds of projects is yet to be clarified.

3. Funds for PPP Projects

Under the Project Bank Notification, PPP Projects that engage in partnerships with government and participate in competitive tender or Swiss challenge tender process are eligible for government support. PPP Projects may use either government's budget in order to ensure their sustainability (viability gap funding) or development assistance in accordance with the bid terms of the tender documentation with the consent of the Union Government. The Project Bank Notification provides that the PPP Center is responsible for analyzing all potential government contributions and to advise IGAs. The government's contribution to project implementation may include but not be limited to capital from the government's budget, government bonds, development assistance, in-kind contributions, or other forms. Under the Project Bank Notification only PPP Projects selected via a competitive tender process or Swiss Challenge tender process need to seek government support in terms of guarantee, viability gap funding, or other forms of support.

4. PPP Contracts

Under the Project Bank Notification, the PPP contracts may be based upon Availability Payment, Build-Own-Operate ("**BOO"**), Build-Operate-Transfer ("**BOT**"), Build-Transfer-Lease ("**BTL"**), Build-Transfer-Operate ("**BTO"**), and Operation and Management ("**O&M"**)or other forms of PPP considered by the IGA, with support to be provided by the PPP Center upon request, to achieve the most appropriate risk sharing structure. The Project Bank Notification provides that the PPP contract shall be governed by Myanmar law and may have international arbitration in accordance with the Arbitration Law 2016. The PPP Center will issue detailed requirements, guidelines and contract document principles and structures for the IGA to follow in the preparation of PPP contracts in the future.

5. Transferring State Owned Economic Enterprises to Private Sector through Equalization or PPP Mechanisms

A relevant government agency may submit to the MOPF to include in the Project Bank a State-owned Economic Enterprise ("**SOEE**") for the transfer, in part or in whole, to the private sector under the Project Bank Notification. The PPP Center is charged for reviewing the plans prepared by relevant government agencies proposing to undertake equalization or apply a PPP mechanism for a SOEE.

Conclusions

The Myanmar government is updating its stance on PPPs and promoting contribution from the private sector. The establishment of a web-based database, which will make the Project Bank accessible to the public is being undertaken at the moment. The implementation of this notification will create a more favorable, facilitative, predictable and friendly business climate for private sector investors.

[Author]

Win Shwe Yi Htun (Nagashima Ohno & Tsunematsu Singapore LLP)
win_shwe_yi_htun@noandt.com
Win Shwe Yi Htun is a Myanmar qualified attorney in the Singapore office. Her areas of practice include mergers and acquisitions, general corporate matters, joint venture and employment sectors. Prior to joining NO&T, Shwe Yi worked at top-tiers corporate law firms in Myanmar, where she gained significant experience in handling corporate and commercial transactions, and had participated on various investment projects involving commercial parties from Japan, China, Singapore and Thailand.

www.noandt.com

NAGASHIMA OHNO & TSUNEMATSU

JP Tower, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7036, Japan
Tel: +81-3-6889-7000 (general) Fax: +81-3-6889-8000 (general) Email: info@noandt.com

Nagashima Ohno & Tsunematsu is the first integrated full-service law firm in Japan and one of the foremost providers of international and commercial legal services based in Tokyo. The firm's overseas network includes offices in New York, Singapore, Bangkok, Ho Chi Minh City, Hanoi and Shanghai, associated local law firms in Jakarta and Beijing where our lawyers are on-site, and collaborative relationships with prominent local law firms throughout Asia and other regions. The over 450 lawyers of the firm, including over 30 experienced foreign attorneys from various jurisdictions, work together in customized teams to provide clients with the expertise and experience specifically required for each client matter.

Singapore Office
(Nagashima Ohno & Tsunematsu Singapore LLP)

6 Battery Road #40-06
Singapore 049909
Tel: +65-6654-1760 (general)
Fax: +65-6654-1770 (general)
Email: info-singapore@noandt.com

Bangkok Office
(Nagashima Ohno & Tsunematsu (Thailand) Co., Ltd.)

34th Floor, Bhiraj Tower at EmQuartier
689 Sukhumvit Road, Klongton Nuea
Vadhana, Bangkok 10110, Thailand
Tel: +66-2-302-4800 (general)
Fax: +66-2-302-4899 (general)
Email: info-bangkok@noandt.com

HCMC Office
(Nagashima Ohno & Tsunematsu HCMC Branch)

Suite 1801, Saigon Tower
29 Le Duan Street, District 1
Ho Chi Minh City, Vietnam
Tel: +84-28-3521-8800 (general)
Fax: +84-28-3521-8877 (general)
Email: info-hcmc@noandt.com

Hanoi Office
(Nagashima Ohno & Tsunematsu Hanoi Branch)

Suite 10.04, CornerStone Building
16 Phan Chu Trinh, Hoan Kiem District
Ha Noi City, Vietnam
Tel: +84-24-3266-8140 (general)
Fax: +84-24-3266-8141 (general)
Email: info-hanoi@noandt.com

Shanghai Office
(Nagashima Ohno & Tsunematsu
Shanghai Representative Office)

21st Floor, One ICC, 999 Middle Huaihai Road
Xuhui District, Shanghai 200031, China
Tel: +86-21-2415-2000 (general)
Fax: +86-21-6403-5059 (general)
Email: info-shanghai@noandt.com

Jakarta Desk
(Nagashima Ohno & Tsunematsu Jakarta Desk)

c/o Soemadipradja & Taher
Wisma GKBI, Level 9
Jl. Jenderal Sudirman No. 28
Jakarta 10210, Indonesia
Email: info-jakarta@noandt.com

For more details on our overseas practice

If you would like the convenience of receiving future editions of the NO&T Asia Legal Review by email direct to your Inbox, please fill out our newsletter registration form at the following link: http://www.noandt.com/en/publications/newsletter/asia.html
Should you have any questions about this newsletter, please contact us at asia-legal-review@noandt.com.
Please note that other information related to our firm may be also sent to the email address provided by you when subscribing to the NO&T Asia Legal Review.